1:Gallin E-4,5 (1957-1958) 1966
AD5 Taiwan Hokkien AD5
Formosa AD1 •
People's Republic of China AF18



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some insights into what is now taking place on the Chinese mainland. For many of the changes now taking place both in Taiwan and on the mainland are primarily due to the same cause—the encroachment of urbanization on a traditionally agrarian culture, whether enforced by the Japanese, the Nationalist Chinese, or the Chinese Communists.

## FIELD METHODS AND PROBLEMS

T 121

In the selection of a research site, I looked for a Taiwanese village with several attributes. These were that the inhabitants be of mainland origin, preferably descendants of early emigrants from the province of Fukien; that the village have agriculture as its primary means of livelihood; that it have a moderate-sized population, preferably between five hundred and one thousand inhabitants, to facilitate the achievement of familiarity with most of the people and with all aspects of village cultural life; that it be fairly traditional both culturally and socially and as typical as possible of the general villages in that area; and that housing be available inside the village for me, my wife, and our interpreter. It was also important that the village not be too near a major city, and yet not be geographically or culturally isolated from the main flow of Taiwanese life; it had to be identifiable as a definite community.

And, of course, it was important that the villagers be receptive to having a foreign observer move into the village.

It is no easy task to search for a village in which to carry on research in an unfamiliar country. The island of Taiwan, which on the map appears to be minute, is actually 250 miles long from north to south and 90 miles wide; it has an area of 13.8 thousand square miles.

F [133] [131]

At the start of my search, I talked with the staff of the Joint Commission on Rural Reconstruction (JCRR), a Chinese and American agency which plays an important role in rural development in Taiwan. They briefed me on the cultural and geographic areas of rural Taiwan, and we decided that the *hsien* (counties) of Chang-hua, Taichung, and Yun Lin (all on the west-central coastal plain of Taiwan) offered the best possibilities for a suitable village. The next step was to travel by jeep within this area with JCRR field agents to visit many different kinds of villages and make a final choice. The interpreter, whom I hired at that time to live and work with my wife and me in the village, was a companion on these excursions. (For a discussion of translation methods and the use of the interpreter in the field see Appendix I.)

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T 124

During the time we were investigating the many villages, we also visited local Farmers' Associations and *hsiang* (district) public offices. We held many long discussions with local officials to get additional

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4:Grajdanzev--57-59 S-4 (no date) 1942 Formosans-1-2
116. 249. 439. 654. 177.24 Japan
636.24

"At the time of annexation the Japanese [58] government was anxious to improve their 'unfavorable' balance of trade with foreign countries, and the cultivation of sugar cane in Taiwan appeared to be an excellent means of doing this. Japan's imports of sugar at that time were in excess of twenty million yen—about ten per cent of her total imports, and at times equal to the 'unfavorable' balance of trade. Sugar cane is grown in Japan, but climatic conditions and limited area make it impossible to increase the total production significantly. At the most it can supply only a small percentage of the domestic demand for sugar. But Taiwan with its tropical climate could be successfully used for this purpose.

As early as 1896 seeds of improved types of sugar cane were imported from the Hawaiian Islands. In 1898, Kodama, the Governor-General of Taiwan, and his energetic Governor Goto began conferences with Japanese financiers on the question of investment in the sugar industry of Taiwan. A special investigation of the outlook for sugar cane culture in Taiwan was entrusted to Dr. Inazo Nitobe, who presented his report in 1901. In this report Dr. Nitobe recommended that the irrigated area and the area under cultivation be increased through various measures of encouragement, assistance, and direct government action, the establishment of sugar research stations, and the introduction of improved varieties of sugar cane, while other recommendations were made concerning sugar manufacture. The government followed these recommendations, established experimental

stations, imported new varieties of sugar cane from Hawaii and Java, and paid special subsidies and grants to the manufacturers and farmers to induce them to follow its policy. Up to March 31, 1932, it had paid about thirteen million yen in subsidies. Moreover, in 1903 a relatively moderate protective tariff on sugar imported into the Japanese Empire was introduced, the rate being 0.8 sen per kin (0.6 kg.) on No. 20 standard and higher. This rate was increased to 4.65 sen per kin in 1911 on No. 21 standard and higher, to 5.3 sen in 1927 on No. 22 standard and higher, and to 7.15 sen in 1932. As a result—this is the official version—wealth came to the sugar [59] industry and to the island 'and this has resulted in the present industrial prosperity'."

4:Grajdanzev--60-61 S-4 (no date) 1942 Formosans-1-2
116, 249, 433, 458, 654, 177.24 Japan
636.24

"There can be no doubt as to the importance of sugar cane cultivation and of the sugar industry in Taiwan and the degree of success achieved by the Japanese government and Chinese cultivators.

However, a close examination of the table [See page 59, category 116--analyst] reveals some interesting features. It was pointed out how much effort was expended by the officials on the improvement of sugar cane culture. But in spite of all the efforts of the government and of the experimental stations the yield per ko did not show any signs of improvement during the first fifteen years. If the development was as steady as is officially described, why then was the increase of production up to 1921 taking place exclusively as a result of the increase in the planted area?

Further, the increase in sugar production may also come through the increase of sugar content in the juice of the sugar cane. It is interesting to note that in this respect too, little, if any, improvement is noticed up to 1922, but that after that year the sugar content rose from 9.5 per cent in 1922 to 13.2 per cent in 1935 and in this year was considerably higher than in Java or Cuba (12.3 and 11.6 per cent respectively). Finally, the table shows that after the peak of production (and area) was reached in 1917-18, production fell, then rose slowly up to 1928-29, fell sharply by almost thirty per cent and then began to rise again.

The explanation of these fluctuations is that the Taiwan sugar industry (and, as a consequence, also the cultivation of sugar cane) passed through several crises of the most severe character. 'Overproduction' is a word familiar to this industry, and to the planters also. Of course, it must be emphasized that this 'overproduction' is of a special character, because the consumption of sugar in Japan is relatively low and, though physically the demand of the population for sugar [61] is not satisfied, there is insufficient purchasing power available to buy it.

All this is very important for the problem in hand. The government's efforts were probably as great from 1900 to 1922 as afterward, subsidies were given more lavishly than later on, but the results in the first twenty years were rather meagre. In other words, the development was due not so much to the government's and the manufacturers' efforts as to some other factors inherent in the development of the economy of Taiwan and Japan."

4:Grajdanzev--140 [4] S-4 (no date) 1942 Formosans
116, 654, 177.81 Japan
636.81

"Attention should also be paid to the considerable amounts spent by the government on research and investigation. A special institute has been established, which centralizes the research on the island and considerable sums are spent on research into new uses for natural gas, on sugar and sugar cane research, and on war industries."

9: Yamasaki--229 [3] N-5 (1896-1897) 1900 Formosans
116, 132, 654

Like the scientific investigation of Taiwan in general, the systematic examination of the climate also does not begin until the establishment of Japanese rule. In 1897 five meteorological stations were set up, in Taihoku, Taichū, Tainan, Kōshun and Hōko-tō. The organization of simultaneous and corresponding observations in these and other Japanese stations, as also in China and Korea, undoubtedly effected a new advance in East Asiatic climatology. Very carefully observed is the cyclone, which frequently every summer or fall begins in the neighborhood of Taiwan and gradually proceeds north to Japan, and in the regions it touches, precautionary measures are adopted, depending on the weather prospects.

25: Plaut--28-29 U-4 (no date) 1903 Formosans-1-2
116, 114, 654, 177.65 Japan
636.65

Anyone who knew the conditions [EJ: previous to Japanese occupation] realized that if the new order were to be a permanent one, it would have to be based on the existing circumstances; these circumstances were the culture, customs, laws and habits of the [29] most important and largest element of the population, or the Chinese, and so the first thing to do was to make a thorough study of the old system. A number of capable men were set to this task, and they collected a great deal of material. An imperial decree established a Commission to inquire into the old customs on Formosa, and it was under the direction of Okamatsu Santaro, Professor of Law at Kyoto University. This group was charged to examine the available information and to get some more. That was on the 25th of October 1901. That same year Professor Okamatsu published his first report by order of the Governor General, and in 1902 it appeared in English under the title of: "Provisional Report on Investigations of Laws and Customs in the Island of Formosa compiled by order of the Governor-General of Formosa by Santaro Okamatsu."

The report begins with a brief survey of the history, administration and judicial procedures of the island, then there is a detailed description of the legal status of the lands, their division according to the nature and utilization of the soil, the land tax, inheritance and loss, purchase, sale and lease, as well as of the legal forms relating to these contracts, and there is also a discussion of irrigation and the rights and taxes which it entails. In conclusion he has a brief discussion of the family rights of the Chinese

inhabitant. In an appendix he has added a glossary of the Chinese terms which were used in the work, and then there are 89 "References", or examples of documents in Chinese, as they are used in various legal affairs.

All in all, the report is a valuable contribution not only to our knowledge of Formosa, but to the study of comparative jurisprudence as well.

25: Plaut--32 U-4 (no date) 1903 Formosans
116, 206, 496, 654, 177.65 China
636.65

Liu-Ming-Chuan [EJ: the Chinese Viceroy appointed in 1884] was eager to make Formosa more progressive. So he built a railroad from Kelung to the capital T'ai-pei-fu, and from there on to Hsin-chu; he connected the capital T'ai-pei to T'ai-nan and the Pescadores with a telegraph line, and then he made Formosa a part of the world telegraph system by constructing a cable to Futchou. He also established a well-regulated postal system. Industry, including sugar, also received his support. Although Liu-Ming-Chuang's administration was very beneficial for Formosa, he aroused much dissatisfaction by raising the taxes and levying an inland duty, for the previous revenues were not sufficient to defray the costs of his innovations.

C F 423 427

tenants there has been a rent reform program, which went into effect in 1949 and set a maximum rental ceiling of 37.5 percent of the total yield (average rental had theretofore ranged from 46 to 62.5 percent of the total yield). The income of tenant farmers has, in consequence of the program, risen by an average of 30 percent. The reform legislation provides that where the main crop yields are less than 20 percent of normal the tenant shall not be required to pay any rent at all. It also gives the farmer security of tenure (landlords may no longer refuse to renew contracts in order to re-rent on more favorable terms), and it restricts landlords' right to dispossess tenants. By 1951, 97.54 percent of the tenant farmers had completed new contracts under the new law, and the landlord problem had been brought, for the most part, under control. The price of land has steadily declined, which, of course, enables more and more tenant farmers to buy land to own. The rent reduction program has been carried out in cooperation with a Chinese-American organization, the Joint Commission on Rural Reconstruction, which is responsible for a program of general agricultural improvement: the construction of irrigation dams and canals, reclamation projects, the making available of better seeds and fertilizers, animal disease control, the organization of farmer associations and rural cooperatives, and rural health measures.

C F 241 654

By the end of the period 1950–1951, the use of US-financed fertilizer had brought rice production to the highest peak in the history of Taiwan. In exchange for much-needed foreign currency, twenty-two thousand, five hundred eighty-seven metric tons of Taiwan's surplus were exported to Japan and South Korea. Other foods basic to local consumption were also above peak prewar production levels. Sweet potatoes were up 20 percent, wheat 165 percent, and peanuts 89 percent. Considering the handicaps under which the government started, the economy of Taiwan is now surprisingly stable, largely because of the increased agricultural productivity reflected in the foregoing statistics.

C F 652

*Economic Reform*

In 1949, to meet the economic crisis precipitated by the soaring inflation of the Chinese National currency, to which the Taiwan dollar was then linked, a fresh start was made by introducing a new currency, linked to the US dollar and backed by gold bullion brought over from the mainland. At the same time, a series of deflationary measures were enlisted. The government's expenditures, for example, were curtailed by reducing its personnel and cutting back certain of its activities; at the same time, its resources were increased by means of a new luxury tax (based upon ownership of property, including cars and refrigerators), a defense tax, the floating of bonds, and the sale of government assets. The program, as a whole, had the effect of encouraging private enterprise, so that the usual sources of revenue (customs receipts, returns from the salt monopoly, the postal services, and assorted government enterprises in fields like telecommunication, air transport, navigation, petroleum, aluminum, gold, coal, copper, and steel) became more productive.

C F [377] [249] 433

*Industrial Recovery*

In industry, Taiwan's return to prosperity has been extremely rapid. At the time of Japan's surrender, the annual coal production had dropped to 776,000 metric tons (as compared to peak production of 1,182,635 in 1941); electric power had fallen off to 52,646 KW (as compared to the peak load of 152,355 KW in 1943); the production of sugar (the chief product for export) had declined to 86,073 metric tons (as compared to 1,418,000 metric tons before WW II), that of cement to 78,000 metric tons (as compared to peak production

52:Barclay S-5 (nodate)1954 ADl Formosa ADl



achieved through the efforts of private individuals in a free investment market. The Government-General of Taiwan was given a free hand by Tokyo in most internal affairs, and displayed great interest and vigor in regulating all areas of business activity that it could effectively control. A large part in the formation of capital in Taiwan can be attributed to official steps deliberately adopted with this end in view.

On the one hand, these measures consisted of widespread rationalizations in agriculture and large investments providing technical economies to individual farmers; on the other, there were various devices to centralize the heavy investments in large blocs and thereby keep control over the entire venture. The former consisted mainly of improvements that could be initiated and carried out by Japanese without full participation by Taiwanese, and the latter of ways to guide the process and garner the returns. The one served to raise the average productivity of working Taiwanese without depending on them for inception; the other to avoid dissipating the earnings of the colonial enterprise as higher incomes among the Taiwanese, by confining them in the charge of a few Japanese.[5]

Although the Japanese treated their domestic agriculture in much the same way, they made use of their own farmers' earnings in furthering the growth of industry. The fiscal role of rural Taiwan corresponded to that of rural Japan, but in Japan the several lines developed together and were complementary. Fewer opportunities of this nature were exploited in Taiwan, for the complementarities were all external. This is shown in the other side of the picture of trade with Japan—that of imports and their composition. More than half of the value of imports from Japan during later years represented items that were clearly for current consumption.[6] There was surely nothing like the emphasis on heavy capital goods among the remainder that is found in the imports of Japan itself.[7]

*Problems of Pacification*

This study is concerned as much with broader aspects of organization in economic life as with the economic activities themselves. Thus

[5] One of the organizational devices for diverting this income away from consumption was, as in Japan, to make it flow into corporate rather than individual hands, where its disposition was more easily regulated.

[6] I.e., articles such as food, clothing, paper, beverages, textiles, manufactured consumer commodities, and the like. One suspects that a large part of these went to maintain the comforts of the Japanese living in Taiwan.

[7] For example, see Reubens, Edwin P. (1950), pp. 109-112.

52:Barclay S-5 (nodate)1954 ADI Formosa ADI



Japanese government officers could be stationed over the island to establish political order firmly.

This delay in extending their mastery over the whole of Taiwan was a disappointment to the Japanese. It spurred them to concentrate their efforts at organization on measures other than force to bring the inhabitants under control. Once set in motion after some three years' experiment and delay, their methods brought swift results. They encircled and isolated the aboriginal tribes in the hills, and introduced a refinement of old Chinese forms of keeping local order—the so-called *pao-chia* system.[10]

*Private Corporations and Japanese Investment*

Other measures followed to make the Japanese rule more effective. As the exercise of authority became more a matter of routine, the policy turned more and more to exploring improvements and enlargements of production. This progress in government can be traced in the annals of specific achievements, like the drive to raise rice yields[11] and the public health program. By 1905 the Government-General felt itself well enough established to take a detailed census of the population; the descriptive report of its procedures is the best evidence of a firm degree of control and competence in performing complicated administrative tasks in Taiwan.

For the next 25 years or more, until they began to shift their energies to preparation for World War II, the Japanese proceeded to work out their policies for Taiwan (outside of the Aborigine Territory) with scarcely a serious check.[12] This long interlude between two periods of tight regulation is sometimes known as one of official "liberalism" or laissez-faire toward business affairs. It can be so designated, however, only in contrast to the strictness that preceded and followed. In steady succession the government completed several major projects. It finished the land survey of the entire island, essential to all their later engineering works as well as to the desired

[10] The *pao-chia* system was a scheme for assigning joint responsibility to village and familial groups for the conduct of their members. Its operation and the reasons for its effectiveness are taken up in the following chapter.

[11] Mendiola, N. B. (1949), p. 76 ff.

[12] The Taiwanese efforts at insurrection, as for example recounted in OPNAV, Civil Affairs Handbook (1944), pp. 173-177, tended to be exaggerated by their instigators. Due to their own clumsiness, these were quickly put down by the Japanese, though not without some local disruption. Inside the Aborigine Territory, on the other hand, the Japanese devoted many years of hard fighting and frustration to "pacification," and did not hold the entire island securely until the mid-1920's, nor peacefully until almost 1940.

52:Barclay S-5 (nodate)1954 ADl Formosa ADl



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supervision of agriculture. Through its own revenues the government became independent of the annual subsidy from Tokyo with which it had been launched.

By direct action and through state-owned companies, it enlarged communications facilities into a thorough public network of roads, bridges, railway lines, telegraph and telephone installations, tunnels and mountain trails; constructed harbor equipment to accommodate an ever-growing volume of shipping: expended a tremendous effort (if not large sums) on sanitation and disease control; relieved much of the uncertainty of weather for crops by an irrigation system which also reduced the destruction of floods. Finally, and in some respects the central note of the entire program, the authorities gave continual attention to ways of rationalizing agricultural production.

It must be admitted that most of their techniques of agrarian improvement were relatively well known even at the beginning. These were already part of the world accumulation of knowledge by the time the program was well under way. The Japanese did not discover new principles of agronomy in Taiwan, but drew upon this fund of information with alert but minor adaptations to fit the case at hand. The rice yields from the land, for example, were increased spectacularly through the spread of a new strain of seed, introduced in 1922 and cultivated thereafter under supervision by Japanese.[23]

Practices like breeding suitable varieties of seed, using fertilizer systematically to replace elements removed from the soil, rotating crops, and matching irrigation schedules to the growth cycles of plants have for many years been commonplace in the world. But they do not by magical properties overcome the handicaps of unenlightened farming practices. Japanese characteristically did not pin all their faith on the ability of these methods to work out improvement in yields unaided. They painstakingly supervised the application of techniques, and coordinated the use of new procedures with judicious—never extravagant—mixtures of capital.

The most crucial capital input of the Japanese in agriculture was the administrative framework through which these technical changes were introduced. It was a channel of influence that they turned to good account with a cheap outlay of resources. Japanese themselves were not cultivators. They operated experimental farms at many places to study means of improving agriculture, always from the standpoint of what was practical in a land of peasant farmers. They

[23] Mendiola (1949), p. 76 ff.

52:Barclay S-5 (no date)1954 AD1 Formosa AD1



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also maintained a zealous staff of workers to put new findings into effect. Taiwanese villagers were mobilized into compulsory associations to utilize the information, and the program was carried on with close cooperation by local authorities.

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In addition to these measures, certain of the large Japanese expenditures on outright heavy investment helped to modify agricultural productivity of Taiwanese. The building of railroads, large-scale facilities for irrigation and flood control, and in later years factories for processing agricultural produce all worked some radical changes in the relations between the farms and the markets abroad. But these reached down only occasionally to disturb the operation of individual peasant farming. What one Japanese writer has called the process of "capitalist development in Taiwanese agriculture" was not so much a matter of developing investment in agriculture itself as of surrounding agriculture with capital improvements.[14]

Many improvements were introduced directly by the Government-General. Usually a charge was levied on their use or the expense was defrayed by heavy taxation. The government matched each of these steps of its own by prompting the large private firms to carry on parallel works inside their corporate domains. This sort of extra-curricular investment was widely undertaken by Japanese companies, and led to the growth of giant integrated concerns, some larger than their counterparts in Japan.[15]

A remarkable set of inducements existed for engaging in this sort of corporate expansion. Taiwan in the first place had the reputation of being the most profitable locale for investment in the Empire.[16] In addition to this, the Government-General frequently offered subsidies, partial subscription of funds by itself, special legal privileges, a trifling burden of taxation, and in general more cordial relations with the state than were available elsewhere. The response to these terms was apparently more enthusiastic than had been anticipated. It rose at times to feverish speculation, followed by short depressions among Japanese financial circles,[17] and led the Government-General to impose restrictive schemes for fixing prices and output.

[14] Yanaihara, Tadao (1929), p. 140 ff. He points out that most Japanese held land as landlords, like the Taiwanese, not as capitalists. The exception to this rule—and it is a large exception—was the management of sugar-growing plantations by a few of the large sugar-processing companies.

[15] Grajdanzev, A. J. (1942), p. 96.

[16] Yanaihara (1929), p. 146.

[17] Price movements of rice and sugar in Japan intensified some of these effects, especially in the late 1920's and for several years after 1930. See Grajdanzev (1942), pp. 99-101.

52:Barclay S-5 (nodate)1954 ADl Formosa ADl



more than following advantages which had been obscured by the official emphasis on foodstuffs.[19]

A general survey of Taiwan's part in the Japanese war program is impossible to undertake here. It is nonetheless pertinent to indicate what were some of the implications of this shift for the internal administration and economic affairs of the island. The turning point cannot be dated exactly, for the decisions behind it were probably not made at any one point of time. They rather reflected a gradual reorientation of official opinion regarding the course of development that was desirable.

From the early years of its existence, the Government-General of Taiwan had sponsored many special corporations to finance and help to organize a limited modification of agriculture. It made more intensive use of them during the 1930's to enlarge new industries that it wanted to foster. Bank credit was made available for new investments at low fixed interest rates. Subsidies were granted widely to induce old firms to enter new fields. Corporations were spared the burden of taxes, government revenue being made up through an ingenious set of other devices.[20] Under exclusive privileges, Japanese companies were attracted to exploit rapidly many of the virgin mineral and forest resources of the island owned by the government. Business activity was hedged about with countless regulations intended to invite mergers and reduce rivalries between firms.[21]

The sugar industry was the outstanding example of government indulgence toward private corporations and its effects. A few Japanese sugar companies had made an early start, before World War I. These were favored with direct subsidies, marketing advantages in Japan and imported equipment far superior to that traditionally used by Taiwanese.[22] By keeping and improving this initial advantage, Japanese producers [illegible] but drove Taiwanese competitors out of the field. Some of them grew so quickly that they were under some compulsion to branch out into providing transportation and related

[19] Special advances were made in starting hydro-electric power output and aluminum and chemical production, however, which would probably not have progressed in any such manner except by dictation from high places.

[20] For sources of government revenue, see Grajdanzev (1942), pp. 133-137, and *Statistical Summary*, Tables 335-345.

[21] Stock dividends of corporations, for example, were limited by law. Since profits were high, large sums were forced into business expansion.

[22] An even greater prop to the industry as a whole was tariff protection in the Japanese market, whereby Japanese consumers supplied the greatest subsidy of all. Here also Japanese companies were enabled to reap the major share of the benefit, for reasons given above.

52:Barclay S-5 (nodate)1954 AD1 Formosa AD1



654 435 services for themselves, in order to keep output in pace with their own milling capacities.[23] The industry had expanded, in fact, too rapidly for its own good. It had suffered several crises, brought on by fluctuations in the demand for sugar in Japan, where its tariff preference led it to sell.[24] To "stabilize production," the important producers organized a cartel (under the Japan Sugar Association) with government permission and guidance.

Buying of cane from farmers had from the start been controlled by agreements among processing firms; the cartel opened a concerted effort to prevent cane prices from rising. The need for this step arose from the fact that sugar cane and rice both were grown in the same soils and more or less during the same seasons. In effect, the two crops competed for land. Japanese had always complained that the Taiwanese had a perverse tendency to cultivate rice when it was more profitable. Under the cartel agreements, sugar firms avoided competitive buying by strict agreements to allocate areas of cane purchase. Owing to their size and diversity, they were able to persuade many farmers to grow sugar instead of rice by withholding irrigation water from rice fields, and by making conditional cash advances to individual families.

By such means the sugar cartel accomplished what the government could never have done unaided: it ensured a steady output of sugar at fixed prices for which it would have been irrational for individual 654 farmers to produce cane.[25] Sugar acquired a place of high wartime priority as a source for industrial alcohol, and beginning in 1939 the Government-General assisted sugar concerns to construct distilleries and make alcohol on the island. Under these circumstances it is not surprising that the sugar processing industry tended to pass into fewer and fewer hands. After a merger in 1940 more than 95 per cent of the sugar in Taiwan was milled by five giant companies. Though more extreme, the history of the sugar industry was essentially that of all large-scale Japanese enterprise in Taiwan.

655 471 The Government-General itself began to promote industrial expansion during the 1930's by further participation in economic life.

[23] Privately owned and operated railroads attained a length of over half as great as the entire state system. Not all were built by sugar concerns; the largest belonged to lumber companies. Most were of narrower gauge than the main rail lines. See *Statistical Summary*, Tables 410-412.

[24] Costs were higher than in Java throughout the period, putting Taiwanese sugar at a serious handicap in markets outside Japan.

[25] The Government-General did its part to encourage sugar cultivation by putting rice paddies in a higher tax category than comparable sugar fields. And in 1939 it simply took over the entire cartel by issuing a set of detailed regulations to dictate its affairs.

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First, it controlled certain key sources of income and authority, as before, through the legal monopolies. Net receipts from these enterprises (including salt, alcohol, camphor, tobacco and opium) made up one of the largest classes of revenue. Public railroads, irrigation and generation of electricity were also government monopolies—unofficial but nonetheless actual—which were operated more for the sake of the power that could be wielded through their services than for profit. They were developed so as to assert what amounted to administrative control over the private sphere of production.

These were really little more than refinements of earlier devices. One of the important departures from previous government policy was to partake directly in more business activity. No data were ever published to show the extent of government investment side by side with that of private firms. It was thought to be at a level nearly as great as the whole private sector, but was mixed too thoroughly to be separated in any reliable fashion from the whole.[26]

Outright government holdings in corporations went beyond scattered blocs of shares in individual companies. Many of these official firms were diversified and enlarged so as to absorb parts of related fields. For example, the larger electric power companies, owned or dominated by the Government-General, helped to build the nucleus of Taiwan's metallurgy industry. Most of the wartime aluminum production was carried out by such integrated concerns. The government itself formed the Taiwan Development Company, in 1936, as a super-corporation to promote interrelated ventures of this nature. It speedily promoted a host of subsidiaries strategic for the war program.[27] Besides all of these extraordinary activities, the regular budgetary expenditures of the Government-General leaned increasingly toward injecting new state services into the economy, and probably contributed thereby to the inflation later in the war.[28]

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[26] Certain tables have been quoted many times that purport to show the amounts of these investments (see OPNAV, Civil Affairs Handbook, *Taiwan—Economic Supplement*, 1944, pp. 97-98). We shall not reproduce them here, for none of the published data on corporate investment are very trustworthy. The publications never stated what criteria were imposed in their collection, and so it is impossible to know exactly what they represent in any given instance. They conceal the weight of government as opposed to private corporate holdings, and do not differentiate between large holding companies and their subsidiaries.

[27] Incomplete data on some of the known holdings of this and other of the larger firms are given in the OPNAV Civil Affairs Handbook, *Taiwan—Economic Supplement*, Appendix, p. 86 ff. Through omissions, these figures are known to understate grossly the extent of corporate concentration.

[28] These services stretched from research grants to larger funds allocated directly for new subsidies of business. *Ibid.*, p. 59.